

12-1929

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Recommended Citation

Morey, Lloyd (1929) "Accounting System for a Metropolitan Y. M. C. A.," *Journal of Accountancy*. Vol. 48 : Iss. 6 , Article 4.

Available at: <https://egrove.olemiss.edu/jofa/vol48/iss6/4>

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Accounting System for a Metropolitan Y. M. C. A.

BY LLOYD MOREY

The Young Men's Christian Association of Chicago, upon whose accounting system this article is based, is divided into a number of different departments, more or less autonomous in nature, but bound together by a central organization. Title to all property is in the hands of a central board of trustees, which provides certain funds for departmental projects. All properties are operated and all activities carried on by departments, which assume responsibility for certain funds, both annual and permanent. Thus it is necessary to maintain a set of accounts for each department and one for the central board.

A central business office is maintained, through which all purchases, receipts and expenditures are handled and in which all accounts are kept. An annual budget is prepared, including both income and expense for each department. All accounts are classified uniformly for all departments in accordance with the budget. Departments are fully informed of their finances by detailed monthly statements which show both actual and budget figures.

ACCOUNTING ORGANIZATION

The auditor has general charge of all auditing and accounting. He prepares and certifies vouchers and draws cheques in payment thereof. He inspects the business records of the departments. He transmits all financial reports. He is responsible to the board of managers through the business manager.

The chief accountant keeps all financial accounts of the association and prepares all financial reports, under the supervision of the auditor. As an alternate to the auditor he approves vouchers.

The assistant to the treasurer receives all money collected by the departments, makes all collections not handled by departments and deposits all receipts with the treasurer daily. He signs all cheques issued by the auditor. Other duties are also assigned to the same person. He is responsible to the business manager.

The accounts and records of the auditor, chief accountant and assistant to the treasurer are audited by certified public accountants selected by the treasurer.

At all departments cash registers and autographic registers (or sales books) for recording income items are provided. All forms are serially numbered, are issued by the central business office, and must all be accounted for. A daily statement of all income is prepared in the department showing cash-register readings, receipt numbers, etc. This statement must agree with the total cash receipts of the day.

All money received is deposited daily in a local bank, and a cheque is at once drawn in favor of the association treasurer for the amount of the deposit. This cheque is then delivered to the assistant to the treasurer for deposit. The statement is delivered to the auditor for analysis and entry in the daily income report (form 1) which is prepared in duplicate on a bookkeeping machine. The deposit must check with this report. A carbon copy of the report is returned to the department.

[illegible]

A single bank account for all operating funds is maintained, in which all departmental receipts are deposited and against which all cheques are drawn.

Uncollected items are entered as accounts receivable under the proper departments, income accounts being credited at that time.

Posting is made from the daily income report to the income ledger (form 2, page 433). This ledger is kept by means of a bookkeeping machine. An account is maintained in this ledger for each item of the classification of income (later shown) in each department. General-ledger entries are as follows:

Dr. Cash } by departments.
Cr. Income }

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REQUISITIONS

All purchases and all contracts for supplies for all departments of the association are made by or under the instructions of the purchasing agent of the association. Requisitions are issued by departments for all supplies. Orders placed with the purchasing agent by telephone, or by the department as "emergency" purchases, are confirmed by requisition. Requisitions are signed by the section head and by the executive or business secretary of the department. They indicate the budget item to which they are to be charged and show the estimated cost of the articles covered by them. Duplicate copies of requisitions are retained by the department. Originals are sent by the departments to the purchasing agent who makes them effective as promptly as possible and furnishes the auditor with a copy of the purchase order with costs indicated.

FORM 2 INCOME LEDGER

Department..... Section..... Account.....

	July	August	September	October	November	December
Budget estimate						
Adjustment and debits						
Current month						
To date						

Date	Sect.	Acct. No.	Description	Daily total	Year to date total	Budget estimate and debits to date
			(Remaining months on	reverse side)		

Whenever requisitions exhaust or threaten to exhaust budget allowances the auditor immediately notifies the department concerned and the business manager of the association. Departments report all transfers and adjustments within their total budgets, when approved by their committees of management, to the auditor, who records them. Increases in total budgets of departments are made only with the approval of the board of managers of the association.

PURCHASE ORDERS

When the purchasing agent has determined where the material covered by a requisition is to be purchased, he issues a purchase order, copies of which are disposed of as follows:

1. Sent by the purchasing agent to the vendor.
2. Retained by the purchasing agent, and filed numerically in a "current" file; after invoice is passed the order is transferred to a "paid" file.
3. Sent to the auditor; when invoice is passed, final prices are entered and this copy is sent to department.
4. Retained by purchasing agent, and filed by commodity.
5. Sent to the department concerned, where it is filed in a "current" file until a report of the receipt of material is received (see 7), when a notation of that fact is made and the copy transferred to a "completed" file.
6. Sent to the section concerned, where it is filed.
7. Sent to the person designated to receive the goods. In this case the copy is signed to that effect and sent to the department business secretary; he notes the receipt on his copy of the order (see 5) and forwards the receiving copy to the auditor. The latter assembles the order copy showing receipt with the invoice for that order, and places the invoice in line for payment.

Auditor's copies of orders are examined to ascertain the sufficiency of the budget, and then are filed by departments until invoices are received. When the invoice is identified against the order and prices are entered, the order copy is sent to the department. If the invoice only partly covers an order, a notation of that fact is made on the order and the latter is retained in the unpaid file. From the file of unpaid orders it is possible at any time to determine the amount of orders outstanding against any budget item.

RECEIVING REPORTS

Each department designates the person or persons who are to be responsible for receiving materials and equipment delivered to that department. It is the duty of these persons to certify the receipt of everything delivered to that department. Receiving reports (which are ordinarily in the form of copies of orders returned from the departments) are received by the auditor. A combined file of invoices and receiving reports is maintained. Upon receipt of a receiving report, if the invoice covering it is in the file, the two are assembled together and passed to the completed invoice file pending payment. If the invoice is not in the

file, the receiving report is held therein until the invoice appears. A receiving memorandum is used to report part deliveries, and the order copy is returned only after final delivery has been made.

For commodities covered by contract, the delivery ticket is signed by the party receiving the material, is forwarded to the section head or department secretary for approval, and then is sent to the auditor. The receiving-report-invoice file is arranged by departments. Filing therein is by purchase-order number within departments. A system of follow-up is used to make certain that each document is received within a reasonable time after its counterpart and that no invoice is held beyond the discount date.

INVOICES

Firms are directed to send all invoices on purchase orders and all statements on contracts to the purchasing agent. That officer verifies the invoice or statement as to authorization, terms, price, and extensions, and if correct, approves it and forwards it to the auditor. Discounts are deducted by the purchasing agent.

The auditor identifies invoices against the receiving reports if the latter have been received. If not, invoices are filed in the receiving-report-invoice file, pending the receipt of receiving reports. When an invoice is identified against its receiving report, the purchase order is detached and sent to the department with exact cost noted. Invoices with receiving reports attached are passed to the completed invoice file, where they are assembled, summarized and vouchered for payment.

Bills for public-utility service, licences and other items not covered by purchase order or contract are received by the departments, which approve such bills and transmit them to the auditor, who prepares vouchers to cover them.

VOUCHER CHEQUES

When an invoice or group of invoices is ready for payment, voucher cheques are prepared by the auditor as follows:

Original—cheque with detachable schedule of invoices by date or numbers and amounts, to be sent to firm.

Duplicate—copy of cheque and schedule of invoices, on thin paper to be filed alphabetically by firm name.

Triplicate—copy of cheque and schedule used as the cheque register. Invoices and receiving reports to be attached to a stiff filing card, recorded and filed numerically.

Vouchers are examined and approved by the auditor (or chief accountant). They are then submitted to the assistant treasurer

for signing of cheques, after which they are returned to the auditor for mailing to payees.

VOUCHER REGISTER

Vouchers are entered in the voucher register in groups, by departments. At the end of each month the voucher register is posted as follows:

Dr. Accounts payable } by departments.
Sundry }
Cr. Cash, by departments.

Copies of voucher cheques constitute the cheque register. The total of cheques as shown by this register must balance with the totals of all entries in the voucher register at any time.

PAYROLLS

Payroll vouchers are prepared and certified by the departments and submitted in duplicate to the auditor. A master payroll cheque in the regular series is used to cover the entire payroll and is deposited in a special account. Cheques in special series on this account are issued, signed by the auditor and returned to the department for distribution. A payroll voucher summary is prepared by the department and submitted to the auditor, approved by him, and passed to the chief accountant for entry. This abstract shows all budget accounts affected and the amount chargeable to each. Payroll vouchers are then filed in a private file in the auditor's office, one copy by cheque numbers, and the other by departments.

ACCOUNTS-PAYABLE REGISTER

All vouchers are entered in detail in the accounts-payable register (form 3), as soon as paid.

Department.....					FORM 3		ACCOUNTS-PAYABLE REGISTER		
Section.....							Month.....		
Old balance	Date	Sect.	Acct. No.	Purchase order No.	Description	Amount	Year to date total		Proof

This register is kept in duplicate (or triplicate) by sections, on a bookkeeping machine. It shows the date, purchase-order number, name of payee and amount of each bill. It constitutes a proof and control of the expense ledger, total postings to which in each section must balance with it daily. The duplicate copy is to be sent to the departments at the end of each month. At

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the end of each month the accounts-payable register is posted to the general ledger as follows:

Dr.	Expense	}	by departments.
Cr.	Accounts payable		

EXPENSE LEDGER

The expense ledger (form 4), contains an account with each section. It provides space for budget credits and adjustments, and for entry of expenditures in daily totals. Cumulative totals for the present month and for the year are carried. The ledger is maintained on a bookkeeping machine. Expenditures include accounts payable and transfers. The total postings of the former must check with the accounts-payable register; of the latter, with the transfer register.

FORM 4

EXPENSE LEDGER

Department..... Section..... Account.....

	July	August	September	October	November	December
Budget estimate						
Adjustment and debits						
Current month						
To date						

Date	Sect.	Acct. No.	Purchase Order No.	Description	Amount	Year to date total	Budget estimate and credits to date
			(Remaining months on		reverse side)		

The expense ledger constitutes a control of the budget analysis. Total postings of expenditures to the latter in accounts of a given section must agree with total posting to the expense-ledger account of that section.

BUDGET ANALYSIS

Budget analysis is a columnar record in which a column is kept for each item of the budget of each section. Posting is made from the invoice or transfer voucher or summaries thereof. Total postings to all accounts of a given section must check to the control account of that section in the expense ledger. Budget allowances and adjustments may also be shown as far as information is available.

TRANSFER VOUCHERS

Under transfer vouchers are included all items not paid for in cash. Distinction must be made between interdepartment items, which affect departmental cash accounts, and inter-section items, which do not. These items are entered in the transfer register and posted to the expense ledger and budget analysis.

TRANSFER REGISTER

Transfer register is in the same form as the accounts-payable register, in a different color. It is kept by sections in duplicate or triplicate. All transfer vouchers are posted to it. Together with the accounts-payable register it constitutes a proof and control of the expense ledger. At the end of each month, the duplicate copies are sent to the departments with summary statements of their budget accounts.

DEPARTMENT RECORDS

The departments keep such files and records of their receipts and expenditures as will enable them to verify the accuracy of the reports submitted by the auditor. Complete balanced bookkeeping records need be maintained only by the auditor. Departments are responsible, however, for keeping their expenditures within their budget allotments. For this purpose, a special record is used.

GENERAL-LEDGER BUDGETARY ACCOUNTS

Budgetary-control accounts in the general ledger may be provided if desired. Such accounts would include "Estimated income," to which the estimated income for the fiscal year in accordance with the budget would be debited, and against which the credits to income account would stand as a credit; and "Appropriations," to which budget authorizations would be credited, and against which debits to expense account would stand as a debit. The surplus account would then represent "Estimated surplus" during the fiscal year, and would be credited with estimated income and debited with appropriations. After closing at the end of the fiscal year it would represent a real surplus or deficit.

Accounts such as those described would be kept for each department and would enter into the current balance-sheets of the departments during the year.

Central record and control of encumbrances may also be provided instead of leaving this matter to departments as previously indicated. For this purpose the expense ledger should be modified to provide for entry and liquidation of encumbrances.

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CLASSIFICATION OF ACCOUNTS BY SECTIONS

Income and expense are classified first by sections under each department as follows:

General	H. Employment
A. Administration	I. Camp
B. House	Business enterprises
Programme	N. Restaurant
C. Social	O. Fountain lunch
D. Boys	P. Barber shop
E. Physical	Q. Bowling
F. Industrial	R. Miscellaneous enterprises
G. Educational	S. Residence

CLASSIFICATION OF INCOME

Income is classified under each section in accordance with the following schedule:

Account No.

40. Membership fees (men).
 Credit for membership tickets. Charge with refunds.
41. Membership fees (boys).
42. Special fees.
 - 42-1 Clubs
 - 42-2 Tennis
 - 42-3 Bowling
 - 42-4 Tournament and admission fees
 - 42-5 Billiards and pool
 - 42-6 Employment fees
 - 42-7 Natatorium and baths
 - 42-8 Checkroom fees
 - 42-9 Room register fees
 - 42-10 Laboratory fees
43. Handball court rental.
44. Camp fees.
45. Tuition fees.
 - 45-1 Day high school
 - 45-2 Evening high school
 - 45-3 College of commerce
 - 45-4 College of arts and science
 - 45-5 Private tuition
46. Rent of space and equipment.
47. Contributions.
48. Sales of supplies.
49. Meals.
50. Bundle laundry.
 Credit for bundle and finished work. Charge with expense of laundering.
51. Pressing and tailoring.
 Credit income for handling clothing. Charge with expense of pressing and tailoring.
52. Residence earnings.
 Credit with earnings of special endowment funds invested in departmental residences.
53. Endowment.
 Credit with receipts by departments of appropriations from general endowment-fund income.
54. Interest and dividends on investments.
55. Sale of service of employees.

CLASSIFICATION OF EXPENDITURES BY OBJECT

Expenditures are classified under each section in accordance with the following headings, the majority of which are self-explanatory:

Account No.

1. Secretarial salaries.
2. Non-secretarial salaries and wages.
3. Professional service.
4. Special talent.
5. Employees expense.
6. Promotional expense.
7. Retirement fund.
8. Books and periodicals.
9. Operating supplies.
10. Soap and towels.
Charge soap and towels purchased for use by members and guests. Do not include soap intended for use in cleaning building and equipment.
Credit sale of soap and rental of bath towels to members and guests.
11. Laundry.
Expense for laundering goods belonging to association.
12. Fuel, including expense of delivery and storage.
13. Telephone and telegrams.
Cost of telegrams and of local and long-distance telephone service, including installation expenses but excluding salaries of operators. Credit this account with payments by members and public for telephone service and commission on telephone booths.
14. Light and power.
15. Contract repairs, maintenance and alterations.
16. Garbage, ash removal and sale of scrap.
17. Relief.
Expense for giving relief to applicants for charity or temporary loans. Credit this account with repayment.
18. Claims and losses.
Charge with claims for articles lost, damaged or stolen and with accounts written off as bad debts or uncollectable. Credit with charged-off items which chance to be collected.
19. Discount.
Discount on coupons redeemed through the course of business which have previously been sold in the form of coupon books.
20. Over and short.
21. Appropriations to general agencies.
22. Equipment.
23. Camps.
Charge with direct expense to the department of sending boys to camp. Departments operating a camp regard it as an operating section and prepare for it a suitable classification of accounts.
24. Adjustments.
Certain accounts are of a nature which are not supposed to yield finally either a net debit or a net credit. They are mainly "in" and "out" or "suspense" items. Credit this account with camp fees collected for camps operated by the general office or another department. Charge when fees are transmitted.
25. Rent.
Rental of premises used for association purposes but not belonging to the association. Rental charged against restaurant or other sections for association space which they occupy.
26. Taxes, licences and special assessments.

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27. Insurance.
28. Interest.
29. Depreciation.
Amounts set aside in a reserve fund to provide for eventual replacement of buildings and equipment owing to obsolescence or change of style or policy of work.
30. Sinking fund.
Charge with amounts paid toward the reduction of mortgages, loans or advances.
31. Residence rentals.
Amount charged against the residence and paid to the department as a return on the department investment in the residence.
32. Provisions and produce.

CURRENT ASSETS AND LIABILITIES

The classification of accounts for current assets and liabilities of departments is shown by the following departmental balance-sheet:

Current departmental balance-sheet	
Current	Current
Cash	Cash overdraft
Petty cash	Accounts payable
Accounts receivable	Notes payable
Inventories	Tickets
	Deposits
	Total current liabilities
	Reserves
	Surplus (income-expense)
Total current assets	Total current liabilities and surplus

CAPITAL ACCOUNTS

Legal ownership of all real property is in the board of trustees. For purposes of operation, however, property is assigned to departments and is considered as owned by them. Consequently, the accounts must show the property of each department and the obligations against that property.

The board of trustees is the recipient of all building and endowment funds. Building funds are often collected by departments and must be applied to their separate building projects. Endowment funds are invested in income-producing properties of departments, and repayments are made by the departments out of their income. Depreciation is also charged, and the funds thus accumulated are used for replacement.

A set of capital accounts for the board of trustees is maintained, and a set for each department. These accounts may be assembled into a consolidated balance-sheet, showing the capital position of the entire association in one exhibit. Because of the peculiar nature of these accounts and the transactions entering into them, they are given here in detail.

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TRUSTEE AND DEPARTMENTAL CAPITAL ACCOUNTS

Principal transactions

(Omitting receipt, purchase or sale of securities, and placing or payment of liabilities to outside parties.)

- (1) Receipt of endowment gift in cash
- (2) Expenditure for building from endowment funds
- (3) Receipt of building-fund subscriptions
- (4) Application of building fund to advance by trustees
- (5) Operating income applied on building advance*
- (6) Reserve for depreciation set up*
- (7) Expenditures for building from miscellaneous funds
- (8) Expenditures for equipment from depreciation funds
- (9) Receipt of miscellaneous income
- (10) Appropriation of miscellaneous income for expense
- (11) Miscellaneous expense
- (12) Appropriation of miscellaneous income to departments

*There must also be a proper entry in the departmental operating accounts.

BOARD OF TRUSTEES ACCOUNTS

(with illustrative entries)

Cash

(1) Receipt of gift....	\$500,000	(2) Expended for building...	\$500,000
(3) Building-fund subscription received	100,000	(7) Expended for building...	20,000
(5) Income applied on building.....	100,000	(8) Expended for equipment.	5,000
(6) Depreciation reserve.....	25,000	(11) Expense.....	3,000
(9) Miscellaneous income.....	25,000		
	(750,000)		(528,000)

Advances to departments from endowment funds

(2) Expended for building.....	\$500,000	(4) From building fund....	\$100,000
		(5) From income.....	100,000
			(200,000)

Advances to departments from other funds

(7) Expended for building.....	\$ 20,000
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Cash

Departmental building and depreciation funds

(4) Applied on advance.	\$100,000	(3) Subscriptions.....	\$100,000
(8) Expended.....	5,000	(6) Depreciation.....	25,000
	(105,000)	(12) Income distributed....	20,000
			(145,000)

Income

(10) Appropriated for expense.....	5,000	(9) Received.....	\$25,000
(12) Distributed to departments.....	20,000		
	(25,000)		

Expense appropriation

(11) Expended.....	3,000	(10) Appropriated.....	\$ 5,000
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Endowment funds

(1) Gift.....	\$500,000
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DEPARTMENT CAPITAL ACCOUNTS

Land, buildings and equipment

(2) Expended by trustees.....	\$500,000
(7) Expended by trustees.....	20,000
	(520,000)

Due from trustees—building and depreciation funds

(3) Subscriptions paid in	\$100,000	(4) From building fund....	\$100,000
(6) Depreciation reserve	25,000	(8) Expended.....	5,000
(12) Income.....	20,000		(105,000)
	(145,000)		

Due trustees endowment fund

(4) From building fund.	\$100,000	(2) Expended by trustees..	\$500,000
(5) From income.....	100,000		
	(200,000)		

Due trustees other funds

(7) Expended by trustees..	\$20,000
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Reserve for depreciation

(8) Expended.....	\$5,000	(6) Reserve.....	\$25,000
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Building fund

(4) Applied on advance.	\$100,000	(3) Subscriptions.....	\$100,000
		(12) Income.....	20,000
			(120,000)

Surplus invested in fixed assets

(4) From building fund....	\$100,000
(5) From income.....	100,000
	(200,000)

BOARD OF TRUSTEES

Illustrative balance-sheet

Assets

Cash	\$222,000		
Advances to departments from endowment funds	300,000		
Advances to departments from other funds.....	20,000		\$542,000

Liabilities and fund balances

Departmental building and depreciation funds.....	\$ 40,000		
Expense appropriation.....	2,000		
Endowment funds.....	500,000		\$542,000

DEPARTMENTS

Illustrative capital balance-sheet

Assets

Land, buildings and equipment.....	\$520,000		
Due from trustees—building and depreciation funds...	40,000		\$560,000

Liabilities and surplus

Due trustees endowment funds.....	\$300,000		
Due trustees other funds.....	20,000		
Reserve for depreciation.....	20,000		
Building fund.....	20,000		
Surplus invested in fixed assets.....	200,000		\$560,000

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ILLUSTRATIVE CONSOLIDATED CAPITAL BALANCE-SHEET

<i>Assets</i>			
Cash	\$222,000		
Land, buildings and equipment	520,000	<u>\$742,000</u>	
<i>Liabilities and surplus</i>			
Expense appropriation	\$ 2,000		
Reserve for depreciation	20,000		
Building fund	20,000		
Endowment funds	500,000		
Surplus invested in fixed assets	200,000	<u>\$742,000</u>	

FINANCIAL REPORTS

As already noted, departments receive from the central accounting office daily income reports, showing income classified by sections and sources, and copies of the accounts-payable register, giving all expenditures in detail. At the close of each month, summary financial reports are prepared, including the following:

- (1) Income and expense summary for each department

Income	This month		Year to date		Year to date last year
	Actual	Budget	Actual	Budget	Actual
Administration House Programme					
Total					
Business enterprises					
Grand total					

- (A similar statement for expense)

- (2) Classified statement of income for each section in each department and summary for the department.
- (3) Classified statement of expense for each section in each department and summary for the department.
- (4) Current balance-sheet for each department (as already exhibited).
- (5) Capital balance-sheet for each department (as already exhibited).
- (6) Trustee balance-sheet (as already exhibited).

Association executives receive all of the above, with suitable summaries for the entire association. Departmental executives receive statements of their own departments, with summaries of the entire association.